

McCANN-ERICKSON ADVERTISING LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2009

MONDAY



A12

ADPSMN6J

06/09/2010

80

COMPANIES HOUSE

Registered number: 1372305

McCANN-ERICKSON ADVERTISING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2009. The Company registration number is 1372305.

PRINCIPAL ACTIVITY

The Company is a major full service advertising agency in the United Kingdom ('UK'), is part of the McCann-Erickson Worldwide Group of advertising agencies and its revenues are derived from both UK and overseas clients. As of 1 January 2009, due to internal restructuring within The Interpublic Group of Companies, Inc (the 'Group'), the Company's Universal McCann ('UM') and Universal McCann International ('ICS') trading divisions have been merged with Initiative Media to form MediaBrands Limited and MediaBrands International Limited, which are also full subsidiaries of The Interpublic Group of Companies, Inc and ceased to be accounted for by the Company from that date. No other significant change in the business of the Company has taken place during 2009.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The trading results of the Company for the year ended 31 December 2009 are shown in the profit and loss account. Turnover decreased to £71 million (2008: £339 million), mainly due to merging the Company's Universal McCann division into the new MediaBrands Limited entity. The post-tax profit for the year amounted to £7 million (2008: £10 million). A dividend of £14 million has been declared in the year (2008: nil).

The Company performed well, in a difficult economic climate, in the year under review. The business is focused on increasing revenue through organic growth as well as new client growth. We will continue to strengthen our integrated offerings, particularly in the area of digital communication and despite the continuing competitive marketplace we remain confident that prospects for growth are encouraging.

KEY PERFORMANCE INDICATORS

	2009	2008
Revenue (decline) / growth	(38%)	4%
Operating margin	12%	14%

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the Company and the execution of the Company's strategy are subject to a number of risks. The directors have identified the need to manage the Company's material financial risks, including foreign exchange, liquidity, credit and interest rate risks. These risks are monitored through a Group Treasury management function which invests surplus funds, mitigates foreign exchange exposure and manages borrowings for the Group.

Group Treasury also seeks to limit counter-party risk by conducting most of its banking and dealing activities with a limited number of major international banks, whose status is kept under review.

Business risks

It is still unclear how the UK economy will fair for 2010. Spending constraints of clients and a difficulty in obtaining finance may still significantly impact on service-providing companies. The potential impact on McCann Erickson Advertising Limited will continue to be assessed on an ongoing basis.

Liquidity risk

The Company finances its operations through a combination of retained profits and inter-company loans.

McCANN-ERICKSON ADVERTISING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)

Interest rate risk

The Company has interest bearing cash balances that earn interest at variable rates. The Company does not participate in interest rate hedging.

Credit risk

No material exposure is considered to exist in respect of inter-company loans.

Foreign exchange risk

To the extent that the Company enters into inter-company loan agreements, third party client or vendor transactions in currencies different to that of the Company's functional currency, there is an exposure to movements in exchange rates. The Company does not participate in cross-currency hedging.

DIRECTORS

The directors who held office during the year or who were appointed since the year end are given below:

J Dooner
N Camera
A White
C Macdonald

COMPANY SECRETARY

L Bean

EMPLOYEE INVOLVEMENT

Consultation with employees is constantly carried out through the Board of Directors which holds departmental meetings periodically with their staff. In addition information is provided to employees through frequent news bulletins.

DISABLED PERSONS

It is the Company's policy to give full and fair consideration to applications for employment made by disabled persons, to continue whenever possible the employment of staff who become disabled and to provide equal opportunities for the training and career development of disabled employees.

McCANN-ERICKSON ADVERTISING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)

CHARITABLE DONATIONS

McCann Erickson Advertising Limited paid a total of £5,815 (2008 £9,735) to registered charities during 2009

CREDITOR PAYMENT POLICY

The Company's policy concerning the payment of its trade creditors is as follows

- TV production companies are paid in accordance with ATVPA/IPA/NBA standard payment terms, and
- The Company seeks to remain within the payment terms agreed with other suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions

Trade creditor days of the Company as at 31 December 2009 were 13 days (2008 39 days) based on the ratio of the Company's trade creditors at the end of the year to the amount invoiced during the year by trade creditors

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent, and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

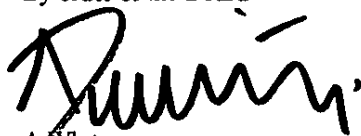
DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. The directors have taken all of the steps that ought to have been taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



A. White
Director

19 August 2010

McCANN-ERICKSON ADVERTISING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MCCANN-ERICKSON ADVERTISING LIMITED

We have audited the financial statements of McCann Erickson Advertising Limited for the year ended 31 December 2009 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its loss and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

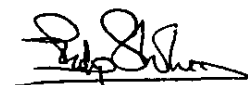
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

McCANN-ERICKSON ADVERTISING LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MCCANN-ERICKSON
ADVERTISING LIMITED (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Philip Stokes (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH
19 August 2010

McCANN-ERICKSON ADVERTISING LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 £'000	2008 £'000
TURNOVER	2	71,422	339,013
Cost of sales		(40,002)	(287,983)
REVENUE		31,420	51,030
Administrative expenses		(27,672)	(44,057)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION	3	3,748	6,973
Gain on sale of division	3	3,257	-
Interest receivable and similar income	6	708	4,133
Interest payable and similar charges	6	(250)	(145)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		7,463	10,961
Tax charge on profit on ordinary activities	7	(83)	(775)
PROFIT FOR THE FINANCIAL YEAR		7,380	10,186

McCann Erickson Advertising Limited has no recognised gains and losses in the period, other than the profit or loss for the period, and therefore no separate statement of total recognised gains and losses has been presented

All operations in 2009 are continuing. There are no material differences between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

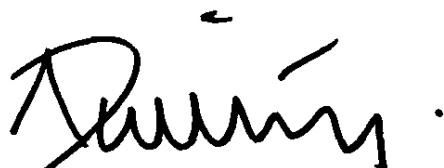
The notes on pages 9 to 21 form part of these accounts.

McCANN-ERICKSON ADVERTISING LIMITED
BALANCE SHEET AT 31 DECEMBER 2009

	Note	2009 £'000	2008 £'000
FIXED ASSETS			
Tangible assets	8	2,846	6,348
		2,846	6,348
CURRENT ASSETS			
Work-in-progress		4,560	9,076
Debtors	9	13,157	35,879
Cash at bank and in hand		60,594	120,627
		78,311	165,582
CREDITORS amounts falling due within one year	10	(41,722)	(122,692)
NET CURRENT ASSETS		36,589	42,890
TOTAL ASSETS LESS CURRENT LIABILITIES		39,435	49,238
PROVISION FOR LIABILITIES AND CHARGES			
Other provisions and charges	13	(5,585)	(8,802)
CREDITORS amounts falling due after more than one year	11	(146)	(196)
NET ASSETS		33,704	40,240
CAPITAL AND RESERVES			
Called up share capital	15	1,000	1,000
Profit and loss account	16	22,204	28,740
Capital contribution	17	10,500	10,500
TOTAL SHAREHOLDERS' FUNDS	17	33,704	40,240

The financial statements on pages 7 to 21 were approved by the board of directors on 19 August 2010 and were signed on its behalf by

A White
Director



The notes on pages 9 to 21 form part of these accounts

McCANN-ERICKSON ADVERTISING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1. ACCOUNTING POLICIES

a) Basis of accounting

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards. The principal accounting policies are set out below.

b) Cash flow statement

The results of the Company are included in the consolidated financial statements of The Interpublic Group of Companies, Inc., the ultimate parent company, which are publicly available. Consequently, the Company is exempt under the terms of Financial Reporting Standard No. 1 "Cash Flow Statements" from publishing a cash flow statement.

c) Group accounts

Group accounts of the Company and its subsidiary undertakings and its participating interest have not been prepared. The Company is exempt from the requirement to prepare consolidated accounts under the provisions of Section 400 of the Companies Act 2006. The financial statements present information about the Company as an individual undertaking only and not about the group.

The Company is a wholly owned subsidiary of McCann Erickson UK Group Limited, a company registered in England and Wales. The immediate parent company is also exempt from the requirement to prepare consolidated accounts.

Copies of the statutory accounts can be obtained from McCann Erickson Advertising Limited, 7-11 Herbrand Street, London, WC1N 1EX.

The ultimate parent company is The Interpublic Group of Companies, Inc., which is incorporated in the United States of America. Copies of the group accounts of The Interpublic Group of Companies, Inc. may be obtained from The Interpublic Group of Companies, Inc., 1114 Avenue of the Americas, New York, New York 10036.

d) Related parties

In accordance with the exemption allowed by paragraph 3(c) of Financial Reporting Standard No. 8, "Related Party Disclosures", no disclosure is made of transactions with other entities within The Interpublic Group of Companies, Inc.

e) Turnover, cost of sales and revenue

Turnover comprises the gross amounts billed to clients in respect of commission-based income together with the total of other fees earned. Cost of sales comprises media payments and production costs. Revenue comprises fees and commission earned in respect of turnover. Turnover and revenue are stated exclusive of VAT, sales taxes and trade discounts.

f) Work-in-progress

Work-in-progress corresponds to work performed, but not yet billed to clients. It is stated at the lower of cost and net realisable value.

McCANN-ERICKSON ADVERTISING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1. ACCOUNTING POLICIES (continued)

g) Fixed assets and depreciation

Tangible assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the estimated useful lives as follows:

Dilapidation assets 20 years

Leasehold improvements lesser of ten years or the remaining life of lease

Furniture and equipment three to seven years

h) Foreign currencies

Transactions in foreign currencies are recorded at rates ruling at the date of the transaction. Assets and liabilities in foreign currencies are expressed in sterling at the rates ruling at the balance sheet date. Exchange differences arising on translation are reflected in the profit and loss account.

i) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated, but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future, have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profit and its results as stated in the accounts that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the accounts.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Amounts relating to deferred taxation are undiscounted. Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse based on tax rates and laws that have been enacted by the balance sheet date.

j) Lease payments

Payments made under operating leases are charged to the profit and loss account as incurred.

k) Pension scheme arrangements

Contributions to the Interpublic Pension Plan are assessed by an independent qualified actuary on the cost of providing pensions across all participating Interpublic Group Companies. Contributions are charged to the profit and loss account in the period in respect of which they become payable. The Company is an adhered member of the Interpublic Pension Plan, a defined benefit scheme. Interpublic Group Limited, the intermediate parent of the Company, adopted Financial Reporting Standard No. 17 in full for the year ended 31 December 2005. The pension scheme is treated as a multi-employer scheme and as the Company is unable to identify its share of those assets and liabilities of the Group scheme, it accounts for contributions as if they were to a defined contribution pension scheme. Details of the scheme are given in the financial statements of The Interpublic Group of Companies, Inc.

Since the closure of The Interpublic Pension Plan to new members in October 2002, the Company has also contributed to other defined contribution schemes for those employees who have chosen to join those schemes. In each case the assets of the scheme are held separately from those of the Company in an independent administered fund. Contributions to each scheme are charged to the profit and loss account in the period in which they become payable. Pension costs are accounted for on the basis of contributions paid to the pension plans.

McCANN-ERICKSON ADVERTISING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1. ACCOUNTING POLICIES (continued)

l) Asset retirement obligations

In 2003, a provision was made and a corresponding fixed asset established for Asset Retirement Obligations in accordance with the dilapidation terms of the Company's operating leases. The obligation assessment was calculated based on a valuation provided by an independent third party surveyor. This has been discounted to net present value using a discount factor of 6.25%. The full liability will accrue over the remaining lives of the leases.

m) Share based payments

The Company makes cash and equity settled share-based payments to certain employees, which are expensed on a straight-line basis over the vesting period. The corresponding liability associated with the cash settled awards is measured at fair value at each reporting date and at the date of settlement, with changes in fair value recognised in the Profit and Loss Account.

2. TURNOVER

Geographical analysis by destination

	2009	2008
	£'000	£'000
United Kingdom	21,735	227,975
Continental Europe	22,405	61,271
North America	27,066	48,558
Asia	137	1,063
Rest of the World	79	146
	71,422	339,013

3. PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION

	2009	2008
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging		
Auditors' remuneration		
Audit	47	60
Assurance Services related to US reporting	98	200
Taxation Services	17	25
Depreciation	657	1,301
Amortisation	42	71
Operating lease payments		
Buildings	3,115	3,115
Other	142	142
Foreign exchange loss /(gain)	154	(164)
Release of provision for credits due to clients and vendors	(446)	(901)
Redundancy payments	897	951
Loss from shares in group undertakings	-	24
Gain on write off of group payables	-	(34)
Gain on sale of division	3,257	-

McCANN-ERICKSON ADVERTISING LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009****4. EMPLOYEES**

	2009	2008
	£'000	£'000
Staff costs including executive directors amounted to		
Wages and salaries	13,975	22,375
Social security costs	1,572	2,351
Pension costs	1,835	2,800
Severance costs	897	951
	18,279	28,477
	2009	2008
	Number	Number
Average monthly number of employees during the year	250	404

5. DIRECTORS' EMOLUMENTS

Four directors served during the year. There were no retirement benefits accruing to any director under the defined benefit scheme (2008: nil). The directors' remuneration for J Dooner and N Camera was borne by McCann-Erickson EMEA Limited, McCann Erickson Marketing Inc and The Interpublic Group of Companies, Inc. The directors' remuneration for A White and C Macdonald was borne by McCann Erickson Advertising Limited.

No directors exercised share options during the year. Long-term incentives for qualifying services are receivable by A White and C Macdonald for the accounting period of 2009.

	2009	2008
	£'000	£'000
Aggregate emoluments	545	640
Aggregated long term incentives	35	28
Aggregated pension contributions	62	44
	642	712
	2009	2008
	£'000	£'000
Highest paid director		
Total emoluments	331	399
Long term incentives	30	25
Pension contributions paid on behalf of the highest paid director to pension scheme	28	28
	389	452

McCANN-ERICKSON ADVERTISING LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009****6. INTEREST**

	2009 £'000	2008 £'000
Interest receivable and similar income		
- Bank	708	3,722
- Dividend and other income from group companies		210
- Other	-	201
	708	4,133
Interest payable and similar charges		
- bank overdraft	(7)	(15)
- unwinding of discount rate on dilapidation provision	(89)	(130)
- Interest payment on balances held with MediaBrands and MediaBrands Intl	(154)	-
	(250)	(145)

No dividends were received from group companies in the year (2008 £177,457 received from McCann Communications Limited and £32,102 received from Joint Venture 36 Travel Limited, of which £8,039 was received as a dividend and the remainder as a return of capital)

7. TAX ON PROFIT FOR THE YEAR

	2009 £'000	2008 £'000
Current tax:		
UK Corporation tax on profit for the period	-	-
Double taxation relief	-	-
Adjustment in respect of previous periods	-	(20)
UK Corporation tax	-	(20)
Foreign Tax	11	15
Total current tax credit	11	(5)
Deferred tax:		
Origination and reversal of timing differences	153	1,285
Adjustments with respect to prior periods	(81)	(537)
Effect of change in Corporation Tax rate	-	32
Total deferred tax charge (Note 13)	72	780
Total tax charge on profit on ordinary activities	83	775

McCANN-ERICKSON ADVERTISING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

7. TAX ON PROFIT FOR THE YEAR (Continued)

The tax credit assessed for the period is lower than the standard rate of corporation tax in the UK (30%) The differences are explained below

	2009 £'000	2008 £'000
Profit on ordinary activities before tax:	7,463	10,961
Profit on ordinary activities multiplied by standard rate of		
Corporation tax in UK 28% (2008 28.5%)	2,089	3,124
Effects of		
Income not deductible for tax purposes in the current period	(947)	(213)
Accelerated capital allowances and other timing differences	(68)	(98)
Short term timing differences	(55)	41
Utilisation of tax losses	-	(1,251)
Group relief received for nil consideration	(1,019)	(1,603)
Withholding tax on foreign income	11	15
Adjustment in respect of previous periods	-	(20)
Current credit for the period	11	(5)

8. TANGIBLE ASSETS

	Dilapidation asset £'000	Leasehold improvements £'000	Furniture and equipment £'000	Total £'000
Cost:				
At 1 January 2009	1,309	9,186	12,149	22,644
Transfers to MediaBrands	(519)	(5,396)	(1,729)	(7,644)
Additions	-	-	374	374
Disposals	-	(47)	(5,970)	(6,017)
At 31 December 2009	790	3,743	4,824	9,357
Depreciation:				
At 1 January 2009	607	4,493	11,196	16,296
Charge for the year	42	297	360	699
Transfers to MediaBrands	(254)	(2,708)	(1,570)	(4,532)
Disposals	-	(17)	(5,935)	(5,952)
At 31 December 2009	395	2,065	4,051	6,511
Net book amount:				
At 31 December 2009	395	1,678	773	2,846
At 31 December 2008	702	4,693	953	6,348

McCANN-ERICKSON ADVERTISING LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009****9. DEBTORS**

	2009	2008
	£'000	£'000
Trade debtors	8,342	29,166
Amounts owed by group undertakings	1,344	2,966
Other debtors	1,735	-
Prepayments and accrued income	1,216	2,037
Corporation tax receivable	81	1,199
Deferred tax asset (see note 12)	439	511
At 31 December	13,157	35,879

10. CREDITORS: amounts falling due within one year

	2009	2008
	£'000	£'000
Trade creditors	16,777	73,511
Amounts owed to group undertakings	15,140	33,428
Other taxes and social security	1,088	3,887
Other creditors	268	808
Accruals and deferred income	8,449	11,058
At 31 December	41,722	122,692

11. CREDITORS: amounts falling due after more than one year

	2009	2008
	£'000	£'000
Amounts owed to group undertakings	102	102
Other creditors	44	94
At 31 December	146	196

Amounts owed to group undertakings at 31 December 2009 principally comprise of a payable to Universal McCann Limited of £56,468 and Howland Street Studio Limited of £45,709 (2008 £56,468 Universal McCann Limited and £45,709 Howland Street Studio Limited)

McCANN-ERICKSON ADVERTISING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

12. DEFERRED TAX ASSET

	2009	2008
	£'000	£'000
Deferred tax asset at 1 January	(511)	(1,291)
(Credit)/charge to the profit and loss account in respect of prior year adjustment	(81)	(537)
Charge to profit and loss account for the year	153	1,317
Deferred tax asset as at 31 December	(439)	(511)
Tax effect of timing differences because of		
Accelerated capital allowances	(313)	(384)
Short term timing differences	(126)	(127)
Deferred tax asset as at 31 December	(439)	(511)

Deferred tax assets have been measured using a rate of 28% (2008 28 %) There are deferred tax assets in respect of losses of £438,962 (2008 £511,330) and other timing differences of £126,456 (2008 £127,742) that have not been recognised due to the uncertainty of future taxable profits

McCANN-ERICKSON ADVERTISING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

13. PROVISIONS AND LIABILITIES

	Credits £'000	Leases £'000	Dilapidation £'000	Other provisions £'000	Total £'000
At 1 January 2009	6,455	28	2,206	113	8,802
Increase in amounts communicated to clients	1,322	-	-	-	1,322
Credit to profit and loss account	(446)	-	-	(113)	(559)
Unwinding of discount	-	-	137	-	137
Payments made	(130)	-	-	-	(130)
Transfers to MediaBrands	(3,987)	-	-	-	(3,987)
At 31 December 2009	3,214	28	2,343	-	5,585

Credits due to clients and vendors

During the year, following a further assessment of a number of its client and vendor contracts, the Company released £446,701 from the credits provision for amounts which have been identified as not refundable to clients

Leases

On 23 April 2004, the Company vacated one of its leasehold premises. The lease expired on 10 June 2007 and full provision has been made for dilapidations costs payable to the landlord

Dilapidation provision

During 2003 a provision for dilapidations of £1,629,000 was established as an estimate of the associated repair costs at the end of the property leases held by the Company. The obligation assessment was calculated based on a valuation provided by an independent third party surveyor and discounted using a discount factor of 6.25%. The liability will accrue over the remaining lives of the leases

14. LONG TERM INCENTIVE PLANS

The Interpublic Group of Companies, Inc. issues stock and cash based incentive awards to our employees under a plan established by The Interpublic Group of Companies, Inc. McCann Erickson Advertising Limited, along with other companies in the Interpublic Group, participates in The Interpublic Group of Companies, Inc. long term incentive plans. Refer to The Interpublic Group of Companies, Inc. 2009 Form 10-K for further disclosures related to their long term incentive plans

Cash Settled Restricted Stock Units

Under the long term incentive plan, restricted stock units are granted to key employees and generally vest over three years. Upon completion of the vesting period, the grantee is entitled to, at the discretion of The Interpublic Group of Companies, Inc.'s Compensation Committee, to receive a payment in cash based on the fair market value of the corresponding number of shares in common stock. The fair value of cash-settled awards is adjusted at the end of each quarter based on The Interpublic Group of Companies, Inc.'s share price. We amortize stock-based compensation expense related to these units over the vesting period based upon the fair value. The Interpublic Group of Companies, Inc. grants both time based and performance based restricted stock units. The holder of the cash-settled awards, as described above, has no ownership interest in the underlying shares of common stock and no monetary consideration is paid by a recipient for a cash-settled award.

Performance-based awards have been granted to certain key employees subject to certain restrictions and vesting requirements as determined by The Interpublic Group of Companies, Inc.'s Compensation Committee. Performance-based awards are a form of stock-based compensation in which the number units ultimately received by the

McCANN-ERICKSON ADVERTISING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

14. LONG TERM INCENTIVE PLANS (Continued)

participant depends on the Company and/or individual performance against specific performance targets and are settled in cash

The awards generally vest over a three-year period subject to the participant's continuing employment and the achievement of certain performance objectives. The final number of units that could ultimately be received by a participant ranges from 0 to 2 times the target amount of shares originally granted. Stock-based compensation expense is amortized for the estimated number of performance-based awards that are expected to vest over the vesting period using the fair value of the shares at the end of the period.

Cash Settled Time Based Restricted Stock Units

Movements in the number of cash settled time-based restricted stock units outstanding and their related weighted average exercise prices are as follows:

	Units	Weighted average fair value per unit
Outstanding at 1 January 2009	50,364	£2.74
Vested	(18,485)	£5.26
Transferred out	(31,879)	£6.83
Outstanding at 31 December 2009	-	-

Cash payments of £64,263 were made in 2009 (2008: £71,355) in respect of restricted stock units distributed to participants. Compensation expense in connection with the stock awards was £21,364 (2008: £95,483). Total accrued liability in relation to unvested awards as at 31 December 2009 is £nil (2008: £113,883).

Performance Restricted Stock Units

Movements in the number of performance-based restricted stock units outstanding and their related weighted average exercise prices are as follows:

	Units	Weighted average fair value per unit
Outstanding at 1 January 2009	15,342	£2.74
Issued	2,512	£5.26
Vested	(11,177)	£5.26
Transferred out	(6,667)	£8.07
Outstanding at 31 December 2009	-	-

Cash payments of £38,857 were made in 2009 (2008: £31,793) in respect of cash settled awards distributed to participants. Compensation expense in connection with the performance-based awards was £12,111 in 2009 (2008: £30,602). Total accrued liability related to unvested awards as of 31 December 2009 is £nil (2008: £45,107).

Equity Settled Restricted Stock Awards

Stock-settled awards include restricted stock awards expected to be settled in shares. They are granted to certain key employees and are subject to certain restrictions and vesting requirements as determined by The Interpublic Group of Companies, Inc.'s Compensation Committee. The vesting period is generally three years. The fair value of the restricted stock awards is based on The Interpublic Group of Companies, Inc. share price on the date the award is granted. No monetary consideration is paid by a recipient for a stock-settled award and the fair value of the shares determined on the grant date is amortized over the vesting period. There were no equity settled restricted stock awarded to McCann Erickson Advertising Limited employees prior to 2007.

McCANN-ERICKSON ADVERTISING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

14. LONG TERM INCENTIVE PLANS (Continued)

Time Based Restricted Stock Awards

Movements in the number of awards outstanding and their related weighted average exercise prices are as follows

	Awards	Weighted average fair value per award
Outstanding at 1 January 2009	106,444	£5 37
Forfeited	(11,180)	£7 16
Transferred out	(25,287)	£7 29
Outstanding at 31 December 2009	69,977	£7 12

Compensation expense in connection with the restricted stock awards was £123,798 in 2009 (2008 £144,663 and is recorded on McCann Erickson Advertising Limited's accounts. The Interpublic Group of Companies, Inc. is responsible for issuing the shares upon settlement of the awards and therefore holds the equity balance for the equity settled awards.

Performance Related Restricted Stock Awards

Movements in the number of awards outstanding and their related weighted average exercise prices are as follows

	Awards	Weighted average fair value per award
Outstanding at 1 January 2009	26,515	£5 31
Forfeited	(13,976)	£7 16
Vested	(12,539)	£7 05
Outstanding at 31 December 2009	-	-

Compensation expense in connection with the restricted stock awards was £34,028 in 2009 (2008 £24,444), which is recorded on McCann Erickson Advertising Limited's accounts. The Interpublic Group of Companies, Inc. is responsible for issuing the shares upon settlement of the awards and therefore holds the equity balance for the equity settled awards.

15. CALLED UP SHARE CAPITAL

Authorised, issued, called up and fully paid 1,000,000 ordinary shares of £1 each, (2008 1,000,000 ordinary shares of £1 each)

McCANN-ERICKSON ADVERTISING LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009****16. PROFIT AND LOSS ACCOUNT**

	Profit and loss account £'000
Balance at 31 December 2008	28,740
Profit for the financial year	7,380
Dividends paid	(13,916)
31 December 2009	22,204

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2009 £'000	2008 £'000
Profit for the financial year	7,380	10,186
Dividends paid	(13,916)	-
Retained (loss)/ profit for the year	(6,536)	10,186
Opening shareholders' funds	40,240	30,054
Closing shareholders' funds	33,704	40,240

18. LEASING COMMITMENTS

	2009 £'000	2008 £'000
The future annual payments to which the Company is committed at 31 December 2009 under operating lease payments are as follows		
Buildings		
Leases expiring		
- within more than one year, but not more than five years	-	-
- after five years	3,533	3,533
Other		
Leases expiring		
- within one year	-	-
- within more than one year, but not more than five years	142	142
	3,675	3,675

McCANN-ERICKSON ADVERTISING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

19. PENSION COMMITMENTS

The Company, along with other companies in The Interpublic Group of Companies, Inc also participates in the Interpublic Pension Plan ("the Plan"), which is a defined benefit plan providing benefits based on members' service and pensionable earnings. McCann Erickson Advertising Limited, along with other companies in the Group, is unable to identify its share of the underlying assets and liabilities in the Plan and so accounts for its participation in the Plan as a defined contribution plan, with contributions payable being charged to the profit & loss account in the period to which they relate.

The latest actuarial valuation of the Plan for funding purposes was carried out as at 31 March 2009 by a qualified independent actuary. The financial assumptions used in the valuation were as follows:

Discount rate 5.5%

Rate of price inflation 3.1%

Rate of pay increases (before promotional increases) 4.1%

Rate of pension increases 3.0% (benefits up to 30 June 2007)

Rate of pension increases 2.1% (benefits from 1 July 2007)

Rate of deferred pension increases 3.1%

As at 31 March 2009, the actuary calculated the funding deficit to be £47.6 million. The actuary recommended that all participating employers pay 17.8% of pensionable earnings for the period 1 July 2007 to 30 June 2010 and 19% of pensionable earnings for the period 1 July 2010 to 30 June 2012. In respect of the shortfall in funding in accordance with the recovery plan dated 30 June 2010, the employers will additionally contribute to the Plan amounts such that at any point in time the cumulative amount of these contributions (from all participating employers) from 1 July 2010 is no less than had £401,000 per month been paid. Such contributions are due for the period of 8 years from 1 July 2010 to 30 June 2018. McCann Erickson Advertising Limited is contributing £207,338 a month towards this total.

Active members contribute to the Plan at the rate of 9% of pensionable earnings for the period 1 July 2007 to 30 June 2010 and 6.3% of pensionable earnings from 1 July 2010.

The cost of contributions to the Plan by the Company amounted to £1,459,288 during the year (2008: £2,287,469).

Since the closure of The Interpublic Pension Plan to new members in October 2002, the Company has also participated in other defined contribution schemes, for those employees who have chosen to become members of those schemes. Contributions in the year totalled £796,873 (2008: £814,179).

20. POST BALANCE SHEET EVENTS

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010 is expected to include legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The effect of the changes to be enacted in the Finance (No 2) Act 2010 would be to reduce the deferred tax asset provided at 31 December 2009 by £15,677. This £15,677 decrease in the deferred tax asset would decrease profit for the year by £15,677. This decrease in the deferred tax asset is due to the reduction in the corporation tax rate from 28 per cent to 27 per cent with effect from 1 April 2011.

The proposed reductions of the main rate of corporation tax by 1% per year to 24% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 27% to 24%, if these applied to the deferred tax balance at 31 December 2009, would be to reduce the deferred tax by £47,032 (being £15,677 recognised in 2011, £15,677 recognised in 2012 and £15,677 recognised in 2013).